# Impact of Utilization of Knowledge on Organisation Performance-A Study with Reference to Private Organisation in Chennai city

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***ABSTRACT***

*Knowledge management is a process that transforms individual knowledge into organisational knowledge. The aim of this paper is to show that through creating, accumulating, organising and utilising knowledge, organisations can enhance organisational performance. The impact of knowledge management practices on performance was empirically tested through structural equation modelling. The sample included couple of the companies with more than 50 employees. The results show that knowledge management practices measured through information technology, organisation and knowledge management positively affect organisational performance.*

***Keywords****:Knowledge management, information technology, organisational performance, structural equation modelling.*

## INTRODUCTION

It is obvious that knowledge is slowly becoming the most important factor of production, next to labour, land and capital. Even though some forms of intellectual capital are transferable, internal knowledge is not easily copied. This means that the knowledge anchored in employees' minds can get lost if they decide to leave the organisation. Therefore, the key objective of management is to improve the processes of acquisition, integration and usage of knowledge, which is exactly what knowledge management (KM) is all about

KM is a process that through creating, accumulating, organising and utilising knowledge helps achieve objectives and enhance organisational performance. KM also consists of strategy, cultural values and workflow. In order to maximise its value a change in strategies, processes, organisational structures and technologies needs to be made

According to Fugate et al. results collected in a logistics operations context prove the existence of a strong positive relationship between a KM process and operational and organisational performance. Still, it is not well understood how different KM strategies affect organisational performance. Choi et al. show that combining the

tacit-internal-oriented and explicit-external-oriented KM strategies indicates a complementary relationship, which implies synergistic effects of KM strategies on performance. The results of the study conducted by Zheng et al. suggest that KM fully mediates the impact of organisational culture on organisational effectiveness, and partially mediates the impact of organisational structure and strategy on organisational effectiveness

Researchers imply positive effect on knowledge management and organisational performance. The aim of this paper is to present a different knowledge management maturity model and to explain and test the hypothesis about impact of knowledge management practices on organisational performance.

The paper is divided into two main parts. First, the theoretical background on components and elements of KM and organisational performance is presented. Second, the hypotheses and the conceptual model are shown.

## LITERATURE REVIEW

Knowledge Management initiative because KM brings the value of strategy, cultural values and workflow and eliminates distance and time barriers. Furthermore KM also made positive, effective performance in the organization. As general KM have two main functions, first managing people interaction and managing information/knowledge.

According to Benbya et al. has become largely agreed that KM activities should be integrated within business processes to ensure continual process improvement and facilitate learning and gradual development of "organisational memory".

The results of the research conducted by Chen and Huang show that organisational climate works its beneficial effects on KM through increasing trust and communication between employees. Besides, organisational structure can improve social interaction, and in turn, results in a higher degree of knowledge sharing and application.

Alavi and Leidner defined KM as a class of information systems applied for managing organizational knowledge.

Ericsson. F. &Avdic, A. (2004). They defined KM as a system that increase organizational performance by increase the better decision by employee when they use knowledge in daily work activities

Collins & Parcel 2001, Wenger Mc Dermott & Snyder 2002 The case of Shell proves this point: only 15% of time savings were achieved using the knowledge base and 85% by employees just talking with each other through the system, while the ratio in the investments were exactly the opposite.

According to Andy Boyd, Knowledge Manager at Shell, Communities of Practice are described as 'groups that share insights and have common interests, and set their own membership norms'

Boyd, 2001 Sometimes members meet physically, but most communication takes place online. Almost half the company is now involved in one or more of these communities. According to Andy Boyd, Knowledge Manager at Shel.

## Elements of Knowledge Management

### Information Technology

The value that knowledge management lies in increasing individual, team and organisational efficiency through the use of knowledge management tools (information technology). Capturing knowledge: the higher the level of capturing knowledge (explicit or tacit) with information technology tools, the better the KM result Usage of IT tools, the higher the quality of tools, quality of information, user satisfaction, usage and accessibility, the greater the KM effect on organisational performance

### ORGANISATION

Organizational culture has a great contribution to knowledge management due to the fact that culture determines the basic beliefs, values, and norms regarding the why and how of knowledge generation, sharing, and utilization in an organisation. An organization can achieve a competitive edge by creating and using knowledge about its' processes and by integrating its' knowledge into business processes.

• People & Organisational climate: the KM success relies heavily upon the trust, creativity, team work and collaboration among employees

• Processes: the integration of the KM activities into organisational processes has a positive effect on KM results

### KNOWLEDGE

Successful knowledge management applies a set of approaches to organisational knowledge—including its accumulation, utilisation, sharing and ownership.

• Accumulation: the higher the effectiveness of knowledge accumulation (internal, external; through internalisation or externalisation) in an organisation, the greater the KM effect

• Utilisation: the higher the effectiveness of utilising the (existing) knowledge in an organisation, the better the KM result

• Sharing: the improvement of sharing of knowledge (formal or informal) effect the KM positively

• Ownership: the better the accessibility of knowledge, the greater the KM success

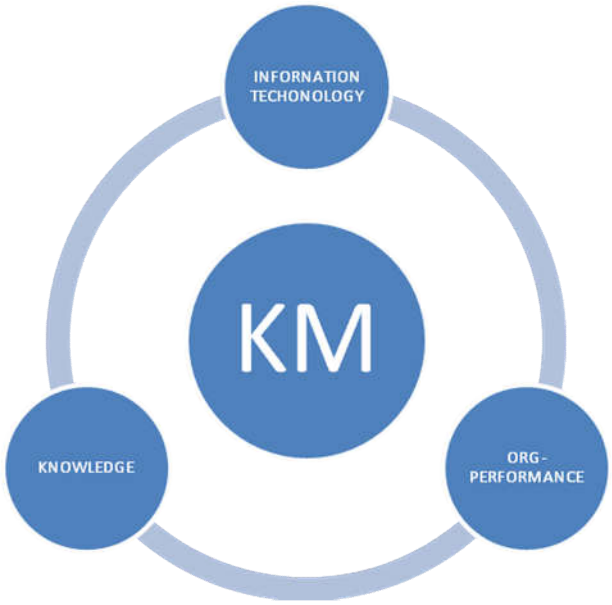
## HYPOTHESIS

**H1.** Organisational elements (such as culture, climate and collaboration) have a positive impact on elements of knowledge in the context of knowledge management.

**H2.** There is a positive effect of IT application on knowledge management adoption through organisational elements.

**CONCEPTUAL MODAL**

**KNOWLEDGE MANAGEMENT MATURITY**




## METHODOLOGY

The study is based on both primary and secondary data. The primary data is collected on structured questioner with optional type question as well as statement in Likert's 5 point scale.

## FINDINGS

Knowledge management maturity model that consists of three empirically tested constructs. The new conceptual model consists of information technology, organisational elements and knowledge, each defined and explained. This model not only proves that the chosen constructs are a good measure for defining knowledge management maturity. This research (1) defines their own knowledge management maturity model (2) statistically proves the fit of the chosen constructs (3) assesses and empirically proves the theoretically implied effect of knowledge management maturity, as a construct of those three factors, on organisational performance. The most important finding is that knowledge management components positively affect organisational performance and the empirical research proved that KM heavily relies on technology.

## CONCLUSION

We conclude that this paper presents three main components important for knowledge management, namely: (1) information technology, (2) organisational elements and (3) knowledge. Connections between those componentsare presented through main hypotheses and the conceptual model is validated through the empirical research. The results of this research confirmed all two given hypotheses.

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